



State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

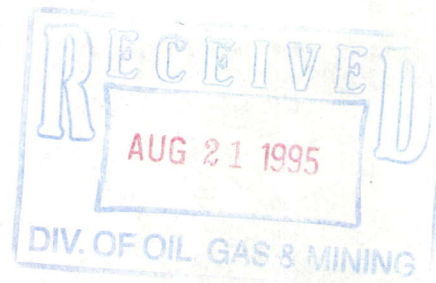
Michael O. Leavitt
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Salt Lake City, Utah 84180-1204
801-538-5508
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S/047/063

August 17, 1995



Robert E. Covington
Hiko Bell Mining and Oil Company
P.O. Box 1845
Vernal Utah 84078

RE: Notice of Intention to Commence Small Mining Operations, Neal # 1 Project, ML-46896, S/047/063, Uintah County, Utah

Dear Mr. Covington:

Thank you for the Notice of Intention to Commence Small Mining Operations (NOI) on the above referenced property. The School and Institutional Trust Lands Administration (SITLA) has reviewed the NOI and you may proceed with the operation as soon as Ziegler Chemical and Mineral Corp. complies with the following requirements and reviews the following comments:

The NOI map only identifies the location of the Neal No. 1 shaft, but the narrative description of the location of the two adjacent escape shafts is sufficient to identify their eventual placement relative to the Neal No. 1 shaft.

There is some ambiguity in the Notice of Intent (N.O.I) as to which direction along the Gilsonite vein the long term mining will progress. The Map titled Geologic Cross Section, Neal Vein clearly indicates that Shaft No. 1 will be placed on the northwest extent of the vein and the subsequent Shafts No's 2 and 3 will be placed along the vein in the southeast direction. Paragraph two on page 3 of the N.O.I. indicates that the northwest escapeway of Shaft N-1 will become the southeast escapeway for Shaft No. 2. This would imply that Shaft No. 2 will have to be placed to the northwest of Shaft No. 1. If Shaft No. 2 is placed to the northwest of Shaft No. 1 then Shaft No. 2 will fall outside the boundaries of State lease ML-46896. Also on page 9 of the N.O.I it is stated "...surface facilities will be moved 600' northwest on the vein...", this would indicate the long term mining will progress to the northwest off of the State lease. In a conversation, on August 10, 1995, Mr. Covington clarified that long term progression will proceed in a southwest direction across Utah State Trust Land.



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Under SITLA rule R850-20-2200 it is standard practice for the Administration to request a review of potential cultural resources before exploration or mine development will be allowed to commence. The review which is conducted by the State Historical Preservation Office (SHPO) will either require the Lessee to conduct a cultural survey on the lands identified in the NOI or SHPO will allow for operations to commence without a cultural survey. As time is of the essence Mr. Covington has elected to commence a cultural resource survey without the recommendation of the State Historical Preservation Office. Compliance with the State of Utah Antiquities Act, forbids disturbance of archeological, historical or paleontological remains. If such remains are encountered you are required to immediately suspend operations and notify SITLA and the Division of State History of such remains. Upon completion of the cultural survey Ziegler will be required to submit a copy of the survey report to the Trust Lands Administration.

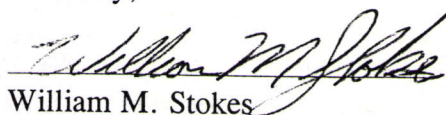
As required by Article XII of the above referenced lease the Lessee is required to furnish a bond with an approved corporate surety company authorized to transact business in the State of Utah. Said bond shall be conditioned upon payment of all damages to the surface estate and conditioned upon payment of all rentals and royalties from the leasehold. The surety referred to on page 6B of your Notice of Intent does not satisfy SITLA bonding requirement as bonding is required for each separate surface disturbance. SITLA will thus require bonding to cover the entire 4.8 acres of proposed disturbance in the amount of \$ 5,000.00 per acre which is a bond obligation totalling \$ 24,000.00.

All surface disturbances resulting from your operations on the leased lands will be fully reclaimed to the satisfaction of the Trust Lands Administration and in compliance with the State of Utah Mined Land Reclamation Act.

Granting this approval does not alleviate the necessity to comply with the requirements of the Division of Oil Gas and Mining regarding this operation. You are required to contact them and comply with their requirements before beginning any work. Their address is: Division of Oil Gas and Mining, 355 West North Temple, 3 Triad Center, Suite # 350, Salt Lake City, Utah 84180-1203.

If you have any question concerning this matter please feel free to contact me.

Sincerely,


William M. Stokes
Minerals Resource Specialist

cc: Anthony A. Gallegos, Division of Oil, Gas, and Mining

Gordon Ziegler, President, Ziegler Chemical & Mineral Company, 100 Jericho
Quadrangle, Jericho, New York 11753